Ordinance for Establishment of Township Water Supply System

TOWNSHIP OF FARMINGTON
OAKLAND COUNTY,
MICHIGAN
ORDINANCE NO. 30

AN ORDINANCE TO PROVIDE FOR THE ESTABLISHMENT, OPERATION AND MAINTENANCE OF WATER SUPPLY SYSTEM "A" TO SERVE WATER SUPPLY DISTRICT "A" IN THE TOWNSHIP OF FARMINGTON, OAKLAND COUNTY, MICHIGAN; TO PROVIDE FOR THE ACQUISITION OF CERTAIN STORAGE, TRANSMISSION, AND FACILITIES FACILITIES AS A PART OF SAID SYSTEM; TO PROVIDE FOR THE ISSUANCE AND SALE OF REVENUE BONDS TO DEFRAY A PART OF THE COST OF SUCH ACQUISITION; TO PROVIDE FOR THE RETIREMENT AND SECURITY OF SAID BONDS; AND TO PROVIDE FOR OTHER MATTERS RELATIVE TO SAID SYSTEM AND SAID BONDS.

THE TOWNSHIP OF FARMINGTON, OAKLAND COUNTY, MICHIGAN, ORDAINS:

Section 1. Whenever used in this ordinance or in the bonds to be issued hereunder, except when otherwise indicated by the context:

(a) The term "Township" shall be construed to mean the Township of Farmington.

(b) The term "Township Board" shall be construed to mean the Township Board of Farmington, the legislative and governing body thereof.

(c) The term "project" shall be construed to mean the water storage, transmission and related facilities to be acquired pursuant to this ordinance.

(d) The term "acquired" shall be construed to include acquisition by purchase, construction or by any other method.

(e) The terms "water supply system" and "system" shall be construed to mean "Water Supply System 'A'", as hereinafter described and to include all plants, works, instrumentalities and properties used or owned or hereafter acquired by the Township (as such plants, works, instrumentalities and properties shall from time to time exist) used or useful in connection with the obtaining of a water supply and the treatment, storage, transmission and/or distribution of water, in "Water Supply District 'A'", as hereinafter described.

(f) The term "current expenses" shall be construed to include all reasonable and necessary costs of operating, repairing, maintaining and insuring the project, but shall exclude depreciation, deposit into the Depreciation Fund, and payments into the Bond and Interest Redemption Fund.

(g) The terms "revenues" and "net revenues" shall be construed as defined in Section 3 of Act No. 94, Michigan Public Acts of 1933, as now amended.

(h) The term "Government" shall be construed to mean the United States of America or the Housing and Home Finance Agency.

Section 2. The Township Board hereby determines it to be necessary and advisable to establish, operate and maintain a water supply system (which is hereby established and designated "Water Supply System 'A'") in and for "Water Supply District 'A'" which is hereby so designated and established as consisting of that part of the Township of Farmington, as "Exhibit 1" which is hereunto attached and hereby made a part hereof. The said Water Supply System "A" shall include (without limitation of the definition of "Water Supply System" hereinbefore contained), in addition to the water storage, transmission and related facilities to be acquired pursuant to this ordinance, and all water mains in said district now owned or hereafter acquired by the Township, including the water distribution and relating facilities which are to be acquired by the Township in and for Water Special Assessment Districts No. 1, 2, 3, 4, 6, 7, 9 and 11, as heretofore established in said Township, said mains being located and described as set forth in the resolution thereof, a copy of which was adopted by the Township Board on March 28, 1961, and to be financed by special assessment bonds issued by said districts and/or the issuance of special assessment bonds in anticipation of the collection of such assessment. No private water supply systems shall hereafter be permitted in said district and all private water supply systems presently existing therein shall be acquired by the Township and become parts of said Water Supply System "A".

Section 3. The Township Board hereby determines it to be necessary and advisable to and pursuant to this ordinance, as a part of said system, the water storage, transmission and related facilities described in "Exhibit 2" which is hereto annexed and hereby made a part hereof, all substantially in accordance with maps, plans and specifications to be prepared by Peter Pirim & Bogue, registered professional engineers, and to be hereafter approved by this Township Board.

Section 4. The Township Board does hereby adopt the said engineers' estimate of forty (40) years and upwards as the period of usefulness of said project and also the said engineers' estimate of One Million Seven Hundred Ninety-Three Thousand Two Hundred Dollars ($1,793,200) as the cost of said project, including interest during eighteen months capitalized interest on the bonds herein authorized therefor and four months' capitalized operation and maintenance expense of the project, both of which estimates are on file with the said Township Clerk.

Section 5. There are hereby authorized to be issued and sold pursuant to the provisions of Act No. 94, Michigan Public Acts of 1933, as amended, revenue bonds in the aggregate principal sum of One Million Six Hundred Thirty-Eight Thousand Dollars ($1,638,000) for the purpose of defraying a part of the cost of said project (the balance of such cost to be defrayed by the payment of $20,000 by owners of certain subdivisions to be served by said project and by the transfer of $135,200 from special assessment bond proceeds to compensate for the use of transmission mains as part of the distribution purposes). Said bonds shall be known as "Farmington Township Water Supply System 'A' Revenue Bonds of 1963", shall be dated as of January 1, 1963; shall be numbered consecutively in the direct order of their maturities from 1 to 1,638, both inclusive; shall be coupon bonds in the denomination of $1,000 each; shall be registrable as to principal only, in the manner and form set forth in the bond form, on the bond registration books of the paying agent for said bonds, such paying agent being hereby designated as the registrar thereof; shall bear interest at a rate or rates to be hereafter determined not exceeding 5% per annum, payable on the first days of April and October in each year, and shall mature on April 1 in each year as follows: $18,000 in the year 1965, $25,000 in the year 1966, $30,000 in each of the years 1967 thru 1969, $35,000 in each of the years 1970 and 1971, $40,000 in each of the years 1972 and 1973, $45,000 in each of the years 1974 and 1975, $50,000 in the year 1976, $55,000 in each of the years 1977 and 1978, $60,000 in each of the years 1979 and 1980, $65,000 in each of the years 1981 and 1982, $70,000 in the year 1983, $75,000 in each of the years 1984 thru 1988, $80,000 in each of the years 1989 thru 1992, and $80,000 in the year 1993. The bonds of said issue maturing in the years 1966 thru 1993, shall be subject to redemption prior to maturity, at the option of the Township, in inverse numerical order, any one or more interest payment dates on and after April 1, 1965; Provided, that no bonds less than the entire issue shall be called for redemption, called to be redeemed at any time prior to April 1, 1975. Each bond called for redemption shall be redeemed at the price thereof, together with accrued interest, plus a premium of ½ of 1% of the principal amount thereof for each year or fraction thereof from the redemption date to the stated maturity, such premium in no event to exceed 4% of such principal amount. Notice of redemption shall be given to the holders of the bonds to be redeemed by publication of such notice not less than thirty (30) days prior to the date fixed for redemption, in a newspaper or publication circulated in the City of Detroit, Michigan, which carries as a part of its regular service, notices of the sale of municipal bonds: Provided, that where any bond shall be registered, then notice of the redemption thereof shall be given by registered mail addressed to the registered holder thereof at the address shown on the registration books of the designated registrar, which notice shall be mailed not less than thirty (30) days prior to the date fixed for redemption. Bonds so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the paying agent to redeem the same.

Section 6. The principal of said bonds and the interest thereon shall be payable in lawful money of the United States of America at the National Bank of Detroit, in the City of Detroit, Michigan (paying agent), or at the option of the holder, at The Chase Manhattan Bank, in the Borough of Manhattan, City and State of New York (co-paying agent), upon presentation and surrender of said bonds and attached coupons as they severally mature.

Section 7. The Supervisor and the Township Clerk of the Township of Farmington shall execute said bonds for and on behalf of the Township and the Township Clerk shall affix the seal of the Township thereto. The Supervisor and the Township Clerk of the Township shall execute the interest bond coupons to be attached to said bonds by causing to be affixed hereto their facsimile signatures. The Treasurer of the Township shall execute said bonds and attached coupons to the purchaser thereof as hereafter determined by the Township Board, upon receipt of the purchase price therefor.

Section 8. The bonds herein authorized shall be sold in the manner provided in Section 12 of Act No. 94, Michigan Public Acts of 1933, as amended.

Section 9. Said bonds and attached coupons shall not be a general obligation of the Township and shall not be an indebtedness of the Township within any state statutory provision or statutory limitation. The principal of and interest on said bonds shall be payable solely from the net revenues derived from the operation of the system, including future improvements, enlargements and extensions thereof to secure the payment of the principal of and interest on the bonds issued hereunder (and on any additional bonds of equal standing issued as hereinafter provided), there is hereby created in favor of the holders of said bonds and the interest coupons appertaining thereto, and of such holders, a first lien (by said Act No. 94, Michigan Public Acts of 1933, as amended, made a statutory lien) upon the net revenues from the said system, including future improvements, enlargements and extensions thereof. The net revenues herein pledged are hereby made subject to said lien until the payment in full of the principal of and interest on said bonds.

Section 10. The holders of any of the bonds or interest coupons herein authorized to be issued, shall have all the rights and remedies given by law and particularly by Act No. 94, Michigan Public Acts of 1933, as amended, for the collection and enforcement of said bonds and coupons and payment thereof, including the right to have a receiver appointed for the system in event of default on the part of the Township in the performance of the terms of the bond contract.

Section 11. The system shall be operated upon the basis of a calendar year, beginning on April of each year and ending on March 31 of the following year.

Section 12. The operation, maintenance and management of the system shall be under the immediate supervision and control of the Township Board, or such officer or board as shall be designated or created by said Board and subject to its control, but such Township Board may contract with the Board of Public Works of Oakland County, Michigan, for the construction, operation, maintenance and management of the system and for the collection and disbursement of revenues therefrom, as agent of the Township Board.

Section 13. Except as herein otherwise provided, water to be furnished by the system to each premises shall be measured by a meter installed and controlled by the township. The following charges shall be made to each premises connected with the system:

(a) Water Consumption Charge. A quarterly charge for water service shall be made to each premises in accordance with the following rates, but shall be payable quarterly:

Size of Meter	Monthly Charge
5/8 inch	$ .50
3/4 inch	.85
1 inch	1.00
1½ inch	1.70
2 inches	2.70
3 inches	3.65
4 inches	4.55
6 inches	7.50
8 inches	11.50
10 inches	15.60
12 inches	19.65

(b) Capital Charge. A charge of $25.00 per unit shall be made to each such premises. This charge shall be paid in cash at the time application is made for a connection thereto, and in the case of any premises connected to the Detroit Water System or any other existing water system at the time when this ordinance shall take effect, such charge may be paid in twenty (20) quarterly installments of $3.75 each.

(d) Debt Service Charge. An annual debt service charge of $25.00 per unit shall be made to each such premises, which shall be payable quarterly, until all bonds issued in pursuance of this ordinance with interest thereon have been paid in full.

The term "unit" as used above is hereby defined as the amount of water consumed by the occupants of a typical residence by a single family of ordinary size. The Township Board shall establish appropriate standards for determining units to be assigned to premises of different character or occupancy.

The Township shall pay for all water used by it at the water consumption rates set forth above, except that for fire hydrant service, the charge shall be $5.00 per year for each hydrant in the district. Charges against the Township shall be payable in quarterly installments from the current funds of the Township available for such purpose or if deemed by the Township Board, within constitutional limitations, is hereby authorized and required to levy an annual sufficient tax for that purpose.

The cost of water service connections from the Township water mains to provide premises shall not be paid from the proceeds of the bond issue or from the revenues of the system.

The Township Board may establish higher water consumption rates than those above set forth for charges to premises outside Water Supply System "A" which are connected to the system.

Section 14. No free service shall be furnished by the system to the Township or to any person, firm or corporation, public or private, or to any public agency or instrumentality. Charges for services furnished by the system, shall be billed and collected quarterly or oftener, as shall be determined by the Township Board, but not less than approximately 1/3 amount of the bills shall become due each month. Such charges shall become due at such times, not exceeding 20 days after the reading of the water meter, as shall be established by resolution of the Township Board, and if such charges are not paid on or before such due date then a penalty of 10% shall be added thereto. In the event that the charges for any such services furnished to any premises shall not be paid within 60 days after the due date thereof, such services furnished by the system to such premises shall be discontinued. Services so discontinued shall not be restored until all sums then due and owing, including penalties, shall be paid, plus a shut-off charge of $1.00 and a turn-on charge of $1.00.

Section 15. Charges for services furnished by the system to any premises shall be a lien thereon, and on September 1 of each year the person or agency charging for the furnishing of said system, shall certify any such charges which have been delinquent six (6) months or more, to the Township Supervisor who shall enter the same upon the next tax roll against the premises to which such services shall have been rendered, and such charges shall be collected and said lien shall be enforced in the same manner as provided in respect to taxes assessed upon such roll, provided, that when a tenant is responsible for the payment of any such charge against any premises, and the Township Board has notified such tenant, with a true copy of the lease of the affected premises (if there be one) attached, then no such charge shall become a lien against such premises herein mentioned, after the date of such notice. However, in event of the filing of such notice, no further service shall be rendered by the system to such premises until a cash deposit equal to twice the average quarterly charge to such premises shall have been made as security for the payment of charges thereafter.

Section 16. The rates herein-before established are estimated to be sufficient to provide for the payment of the expenses of administration and operation of the system and such expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order, and to provide for the payment of the interest upon and the principal of all bonds payable therefrom, as such interest and principal become due and payable, and for the creation of a reserve for the payment of principal and interest as required in this ordinance, and for the payment of such other expenditures and funds for the system as are required by this ordinance. Rates shall be fixed and revised from time to time by the Township Board so as to produce the foregoing amounts, and the Township Board is hereby authorized to make such rates effective and to do all things necessary to provide for the foregoing.

Section 17. The revenues of the system are hereby pledged for the purpose of paying such funds, and as collected shall be set aside into a fund to be known as the "Receiving Fund" of the system, and shall be disbursed from time to time periodically into separate and special funds, as follows:

1. Operation and Maintenance Fund. Out of the money in the Receiving Fund, there shall be set aside each second month into a fund to be designated "Operation and Maintenance Fund," a sum sufficient to provide for current expenses for the next month of all current expenses of administration and operation of the system and such current expenses for the maintenance thereof as may be necessary to preserve the system in good repair and working order. The Township Board at the beginning of each fiscal year, shall file a budget covering the foregoing expenses for such year, and such expenses shall not exceed the amount specified for the year, except by a vote of 2/3 of the members of the Township Board declaring the necessity thereof.

2. Bond and Interest Redemption Fund. Out of the remaining revenues in the Receiving Fund, there shall be set aside each month into a fund to be designated "Bond and Interest Redemption Fund," a sum sufficient to pay the next installment of interest on the bonds then outstanding, and such installment of principal as shall become due at the next ensuing interest payment date, plus a reserve in said Bond and Interest Redemption Fund, for the bonds herein authorized, a sum not less than $15,000 per year during each of the fiscal years beginning on the first day of April 1, 1964, until said reserve shall equal at least $100,000, and if at any time thereafter said reserve shall be less than $100,000, then there shall be set aside in said reserve quarterly a sum sufficient to restore said reserve to $100,000 at the earliest possible time. If any additional bonds of equal standing shall be issued, the authorizing ordinance shall provide for a comparable reserve therefor. Moneys in said Bond and Interest Redemption Fund may be used for the redemption of bonds: Provided, that except in case of refunding, no bonds of any issue shall be called for redemption unless the Township shall have on hand in said fund sufficient moneys therefor not otherwise appropriated or pledged, in excess of the amount of interest and principal maturing on all issues of bonds, to be paid from the revenues of the system within the next eighteen (18) months from the redemption date, and for the purpose of computing the amount on hand, moneys in the reserve shall not be considered as appropriated or pledged. In any case where moneys are available in said fund, for redemption of bonds, such moneys may be used instead to purchase bonds on the open market at the best price or prices obtainable, but not exceeding that of the then redemption price. When the principal amount owing upon any bonds shall be reduced to the amount of the redemption price then the principal of such bonds shall be paid from such reserve. In respect to the allocation and use of moneys in said Bond and Interest Redemption Fund, due recognition shall be given to priority rights, if any, between different issues or series of outstanding bonds.

3. Depreciation Fund. Out of the remaining revenues in the Receiving Fund, there shall be next set aside in equal quarterly installments, into a fund to be designated "Depreciation Fund," a sum not less than $10,000 per year commencing with the fiscal year beginning April 1, 1964, until such fund shall reach at least $50,000, to build up a reserve from which may be paid the cost of any unusual or extraordinary maintenance, repairs, renewals or replacements not included in the annual budget for current expenses of the system. Whenever moneys shall be withdrawn from said fund to make such replacements, said fund shall be restored to the sum of $50,000 as soon as possible thereafter in accordance with orders of the Receiving Fund which are not required by this Ordinance to be used for the Operation and Maintenance Fund and the Bond and Interest Redemption Fund (including the reserve therein) or from funds on deposit in the Surplus Fund hereinafter established.

4. Surplus Fund. Revenues remaining in said Receiving Fund at the end of any fiscal year after all periodical transfers have been made therefrom as herein required, shall be deemed to be surplus and may be left in the Receiving Fund or may be transferred to a fund to be designated "Surplus Fund". Moneys in said Surplus Fund from time to time may be transferred to one or more of the foregoing funds or may be used for any purpose authorized pursuant to the redemption provisions thereof, or for any expenditures, including the payment of debt service, in anticipation of the collection of any existing portions of the system or the construction of improvements or extensions thereto, or may be transferred to the general fund of the Township to the extent necessary for payment of the hydrant rental herein provided: Provided however, that if at any time there shall exist any defaut in making any periodical transfer to any of the above-mentioned funds, then such defaut shall be made good out of the moneys by the transfer of moneys from said Surplus Fund. If any such default shall exist as to more than one fund at any one time, then such transfer shall be made in the order in which such funds are listed above.

No disbursements shall be made from any Receiving Fund except to the special funds as above provided.

Section 18. In the event that moneys in the Receiving Fund are insufficient to provide for the payments into the funds of the Operation and Maintenance Fund or the Bond and Interest Redemption Fund, any moneys then on hand in any other fund of the system shall be transferred, first, to the Operation and Maintenance Fund, and, second, to the Bond and Interest Redemption Fund, in the amount of any deficits therein. Any amount so transferred from the Depreciation Fund shall be replaced as soon as possible.

Section 19. All moneys in the several funds of the system (including reserve moneys) shall be deposited with the National Bank of Detroit, in the City of Detroit, Michigan (a member of the Federal Deposit Insurance Corporation). The moneys in the Receiving Fund, in the Operation and Maintenance Fund and in the Bond and Interest Redemption Fund, shall each be kept in a separate depository account. Moneys in the several funds of the system may be invested in United States Government obligations: Provided, that investments of moneys in the Bond and Interest Redemption Fund being accumulated for payment of the next maturing principal or interest on the bonds shall be limited to such United Government obligations bearing maturity dates prior to the date of the next maturing principal or interest. In the event of any default in payment, the securities representing the same shall be kept on deposit with the National Bank of Detroit, and the income therefrom shall become part of the fund from which the moneys so invested were taken.

Section 20. The Township hereby covenants and agrees that so long as any of the bonds herein proposed to be issued, that it will punctually perform all duties with reference to the system and said bonds required by the constitution and laws of the State of Michigan and by this ordinance; that it will collect all rates and charges provided for in substantial accordance with the maps, plans and specifications hereinbefore referred to, and will have the same in operation not later than October 1, 1963; that it will not sell, lease, mortgage or in any manner dispose of the system or any substantial part thereof, so long as any of said bonds shall be outstanding, unless provision for the payment of the bonds shall have been paid in full; and that it will not permit any person, firm or corporation to contract with it for the furnishing of water to premises within Water Supply District "A". Said Township further covenants and agrees that so long as any of said bonds that it will maintain said system in good condition and operate the same in an efficient manner and at a reasonable cost; that so long as any of said bonds are outstanding; that it will maintain insurance on the system for the benefit of the holders of said bonds in an amount which usually would be carried by private companies engaged in a similar type of business: Provided, that if the Government purchases any of said bonds, then so long as the Government shall hold any of the bonds, the Township shall maintain such insurance on the system as may be required by the terms of the Loan Agreement by and between the Township and the Government relating to the bonds; that it will prepare, keep and file such records, statements and accounts as may be required by Act No. 94, Michigan Public Acts of 1933, as now or hereafter amended, and the same shall be open to inspection by the bondholders and their agents and representatives; that it will promptly file with the Township Clerk of said bonds, a copy of each annual statement which it is required to file with the Municipal Finance Commission, and will also file with such purchasers a copy of the Annual Audit of the system certified to by a Certified Public Accountant, which shall be made after the close of each fiscal year; and that it will furnish a copy of the foregoing statement and audit to any bondholder upon payment of the actual cost of such copy. Any such audit shall be in such reasonable detail as will present the full financial condition of the system. The officers of bonds and shall include auditor's comments on the manner in which the system's management has complied with the provisions of this ordinance in respect to the several funds of the system. The Township further covenants that each of the officers of said Township with control of system funds during acquisition, construction, development and operation of the system shall be covered by fidelity bonds with a company or companies authorized to do business in the State of Michigan, said fidelity bonds to be in amounts at least equal to the maximum of funds in the control of each such official or employee at any one time.

Section 21. While any of the bonds herein authorized to be issued shall be outstanding, no additional bonds payable from the revenues of the system shall be issued which shall have a prior or equal standing therewith except as hereinafter provided. The Township shall have the right to issue additional bonds of equal standing in a sum not to exceed One Million Six Hundred Dollars ($100,000) for the completion of the project herein described in event the bonds herein authorized shall prove to be insufficient therefor. The Township shall also have the right to issue additional bonds payable from the net revenues of the system for the purpose of improving, enlarging and/or extending the system, which bonds when issued shall have equal standing with the bonds herein authorized: Provided that no such additional bonds of equal standing shall be issued unless (a) the average actual or augmented net revenues for any two fiscal years preceding fiscal years or the actual or augmented net revenues for the last preceding fiscal year, whichever shall be the lower, plus (b) 50% of the lowest estimated additional net revenues to be derived in any fiscal year after the completion date of the improvements as fixed in the ordinance authorizing the issuance of such additional bonds, from the improvements, enlargements and extensions to be financed by such additional bonds, shall be equal to at least 135% of the largest amount of principal and interest thereafter maturing in any fiscal year on the bonds then outstanding payable from the revenues of the system and on such additional bonds then being issued; and provided further, that no such bonds of equal standing shall be issued unless it is certified that the assured supply of potable water to the system will be sufficient to meet the needs of the system as it then exists plus the additional needs, if any, required by the contemplated improvements, enlargements or extensions, from the date of such certification until the final stated maturity of the proposed additional bonds. Such additional bonds shall be estimated and such certification as to potable water supply shall be made by a Registered Professional Engineer who shall be selected by the Township Board but who shall not be a regular officer or employee of the Township. The selection of such engineer shall be subject to approval by the Municipal Finance Commission. The actual net revenues (certified as such by an independent public accountant) shall be used in making the determination as to the net revenues for the preceding two fiscal years unless the Township shall raise the water rates at the time of authorizing such additional bonds, in which case the net revenues of the system for each of the last two years shall be adjusted to the amount to an amount reflecting the effect of such increase had the water billings during such years been at the increased rates. Such additional bonds shall be issued if the Township shall then be in default in making any payments to the Operation and Maintenance Fund or to the Bond and Interest Redemption Fund. Permission by the Municipal Finance Commission of the State of Michigan (or such other state or federal agency as shall have jurisdiction over the issuance of municipal bonds) to issue such additional bonds shall constitute a conclusive presumption of the existence of conditions permitting the issuance thereof.

Section 22. The bonds and attached coupons herein authorized to be issued, shall be substantially in the following form, to-wit:

UNITED STATES
OF AMERICA
STATE OF MICHIGAN
COUNTY OF OAKLAND
TOWNSHIP OF FARMINGTON
Number _____ $1,000

FARMINGTON TOWNSHIP
WATER SUPPLY
SYSTEM "A"
REVENUE BOND OF 1963

KNOW ALL MEN BY THESE PRESENTS, that the Township of Farmington, Oakland County, Michigan, hereby acknowledges that it is indebted and for value received promises to pay to the bearer hereof (or to the holder hereof registered, to the registered holder hereof) the sum of

ONE THOUSAND DOLLARS

on the 1st day of April, A.D. 19____, and to pay interest thereon at the rate of _____ (_____) per centum per annum from the date hereof until said sum is paid or payable on October 1, 1963, and thereafter semi-annually on the first days of April and October in each year, which principal and interest are to be paid solely out of the revenues hereinafter specified. Both principal and interest are payable in lawful money of the United States of America at the National Bank of Detroit in the City of Detroit, Michigan (paying agent), or at the option of the holder, at The Chase Manhattan Bank, in the Borough of Manhattan, City and State of New York (co-paying agent), upon presentation and surrender of this bond and the coupons hereto attached as they severally mature.

This bond is self-liquidating revenue bond, is not a general obligation of said Township, is not secured by the faith and credit and/or taxing power of said Township, is not within any constitutional, statutory or charter limitation. The principal of and interest on this bond are payable solely from the revenues of said Water Supply System "A" (including future improvements, enlargements or extensions thereof) remaining after deducting the reasonable expenses of the administration, operation and maintenance of said system, and the payment of both the principal of and interest on said bonds, and on any additional bonds of equal standing which may be issued pursuant to the terms of said ordinance, is secured by a statutory first lien on such net revenues.

The bonds of this series maturing in the years 1968 to 1993, both inclusive, are subject to redemption prior to maturity at the option of the Township, in inverse numerical order, on any one or more interest payment dates on and after April 1, 1965, at the par value thereof and accrued interest plus a premium each bond equal to ½ of 1% of the principal amount thereof for each year or fraction thereof from the redemption date to the stated maturity, such premium in no event to exceed 4% of such principal amount: Provided, that no bonds less than the entire issue then outstanding shall be called for redemption at any time prior to April 1, 1975. Notice of redemption shall be given to the holders of bonds called to be redeemed, by publication of such notice not less than thirty (30) days prior to the date fixed for redemption, at least once in a newspaper or publication circulated in the City of Detroit, Michigan, which carries as a part of its regular service, notices of the sale of municipal bonds: Provided, that where any bond shall be registered, then notice of the redemption thereof shall be given by registered mail addressed to the registered holder thereof at the address shown on the bond registration books of the designated registrar, which notice shall be mailed not less than thirty (30) days prior to the date fixed for redemption. Bonds so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the paying agent to redeem the same.

This bond is one of a series of bonds of like date and tenor, except as to maturity and _____, numbered consecutively in the direct order of their maturities from 1 to 1,638, both inclusive, aggregating the principal sum of One Million Six Hundred Thirty-eight Thousand Dollars ($1,638,000), issued by said Township of Farmington under and pursuant to and in full conformity with the Constitution and Statutes of the State of Michigan (especially Act No. 94 of the Michigan Public Acts of 1933, as amended), and Ordinance No. _____ duly adopted by the Township Board of said Township on the _____ day of _____, 19____, for the purpose of defraying a part of the cost of acquiring Water Supply System "A" to serve a correspondingly designated district in said Township.

This bond is a self-liquidating revenue bond, is not a general obligation of said Township, is not secured by the faith and credit and/or taxing power of said Township, is not within any constitutional, statutory or charter limitation. The principal of and interest on this bond are payable solely from the revenues of said Water Supply System "A" (including future improvements, enlargements or extensions thereof) remaining after deducting the reasonable expenses of the administration, operation and maintenance of said system, and the payment of both the principal of and interest on said bonds, and on any additional bonds of equal standing which may be issued pursuant to the terms of said ordinance, is secured by a statutory first lien on such net revenues.

The bonds of this series maturing in the years 1968 to 1993, both inclusive, are subject to redemption prior to maturity at the option of the Township, in inverse numerical order, on any one or more interest payment dates on and after April 1, 1965, at the par value thereof and accrued interest plus a premium each bond equal to ½ of 1% of the principal amount thereof for each year or fraction thereof from the redemption date to the stated maturity, such premium in no event to exceed 4% of such principal amount: Provided, that no bonds less than the entire issue then outstanding shall be called for redemption at any time prior to April 1, 1975. Notice of redemption shall be given to the holders of bonds called to be redeemed, by publication of such notice not less than thirty (30) days prior to the date fixed for redemption, at least once in a newspaper or publication circulated in the City of Detroit, Michigan, which carries as a part of its regular service, notices of the sale of municipal bonds: Provided, that where any bond shall be registered, then notice of the redemption thereof shall be given by registered mail addressed to the registered holder thereof at the address shown on the bond registration books of the paying agent of said bonds as herein before mentioned, which notice shall be mailed not less than thirty (30) days prior to the date fixed for redemption. Bonds so called for redemption shall not bear interest after the date fixed for redemption, provided funds are on hand with the paying agent to redeem the same.

The Township of Farmington hereby covenants and agrees that at all times while any of the bonds of this issue shall be outstanding, it will maintain such rates for services furnished by Said Water Supply System "A" as shall be sufficient to provide for the payment of the expenses of administration and operation of said system, and such expenses for the maintenance thereof as may be necessary to preserve the same in good repair and working order; to provide for the payment of the interest upon and the principal of all bonds payable therefrom, as such interest and principal become due and payable, and for the creation of a reserve for the payment of principal and interest as required in this ordinance, and for the payment of such other expenditures and funds for the system as are required by this ordinance. Rates shall be fixed and revised from time to time by the Township Board so as to produce the foregoing amounts, and the Township is hereby authorized to make such rates effective and to do all things necessary to provide for the foregoing.

Section 23. The revenues of the system are hereby pledged for the purpose of paying such funds, and as collected shall be set aside into a fund to be known as the "Receiving Fund" of the system, and shall be disbursed from time to time periodically into separate and special funds, as follows:

1. Operation and Maintenance Fund. Out of the money in the Receiving Fund, there shall be set aside each second month into a fund to be designated "Operation and Maintenance Fund," a sum sufficient to provide for current expenses for the next month of all current expenses of administration and operation of the system and such current expenses for the maintenance thereof as may be necessary to preserve the system in good repair and working order. The Township Board at the beginning of each fiscal year, shall file a budget covering the foregoing expenses for such year, and such expenses shall not exceed the amount specified for the year, except by a vote of 2/3 of the members of the Township Board declaring the necessity thereof.

2. Bond and Interest Redemption Fund. Out of the remaining revenues in the Receiving Fund, there shall be next set aside each quarter into a fund to be designated "Bond and Interest Redemption Fund," a sum proportionately sufficient to provide for the payment as the same become due of the interest on and principal of the bonds then payable from the revenues of the system: Provided, that the amount so set aside for principal on the bonds herein authorized, in each quarter during each fiscal year, shall not be less than one-fourth (1/4) of the amount of principal maturing on the April first immediately following such fiscal year, and if there shall be any deficiency in the amount so previously set aside, then the amount of such deficiency shall be added to the current requirement. In addition thereto, there shall also be set aside in quarterly installments for the purpose of creating a reserve in said Bond and Interest Redemption Fund, for the bonds herein authorized, a sum not less than $15,000 per year during each of the fiscal years beginning on the first day of April 1, 1964, until said reserve shall equal at least $100,000, and if at any time thereafter said reserve shall be less than $100,000, then there shall be set aside in said reserve quarterly a sum sufficient to restore said reserve to $100,000 at the earliest possible time. If any additional bonds of equal standing shall be issued, the authorizing ordinance shall provide for a comparable reserve therefor. Moneys in said Bond and Interest Redemption Fund may be used for the redemption of bonds: Provided, that except in case of refunding, no bonds of any issue shall be called for redemption unless the Township shall have on hand in said fund sufficient moneys therefor not otherwise appropriated or pledged, in excess of the amount of interest and principal maturing on all issues of bonds, to be paid from the revenues of the system within the next eighteen (18) months from the redemption date, and for the purpose of computing the amount on hand, moneys in the reserve shall not be considered as appropriated or pledged. In any case where moneys are available in said fund, for redemption of bonds, such moneys may be used instead to purchase bonds on the open market at the best price or prices obtainable, but not exceeding that of the then redemption price. When the principal amount owing upon any bonds shall be reduced to the amount of the redemption price then the principal of such bonds shall be paid from such reserve. In respect to the allocation and use of moneys in said Bond and Interest Redemption Fund, due recognition shall be given to priority rights, if any, between different issues or series of outstanding bonds.

3. Depreciation Fund. Out of the remaining revenues in the Receiving Fund, there shall be next set aside in equal quarterly installments, into a fund to be designated "Depreciation Fund," a sum not less than $10,000 per year commencing with the fiscal year beginning April 1, 1964, until such fund shall reach at least $50,000, to build up a reserve from which may be paid the cost of any unusual or extraordinary maintenance, repairs, renewals or replacements not included in the annual budget for current expenses of the system. Whenever moneys shall be withdrawn from said fund to make such replacements, said fund shall be restored to the sum of $50,000 as soon as possible thereafter in accordance with orders of the Receiving Fund which are not required by this Ordinance to be used for the Operation and Maintenance Fund and the Bond and Interest Redemption Fund (including the reserve therein) or from funds on deposit in the Surplus Fund hereinafter established.

4. Surplus Fund. Revenues remaining in said Receiving Fund at the end of any fiscal year after all periodical transfers have been made therefrom as herein required, shall be deemed to be surplus and may be left in the Receiving Fund or may be transferred to a fund to be designated "Surplus Fund". Moneys in said Surplus Fund from time to time may be transferred to one or more of the foregoing funds or may be used for any purpose authorized pursuant to the redemption provisions thereof, or for any expenditures, including the payment of debt service, in anticipation of the collection of any existing portions of the system or the construction of improvements or extensions thereto, or may be transferred to the general fund of the Township to the extent necessary for payment of the hydrant rental herein provided: Provided however, that if at any time there shall exist any defaut in making any periodical transfer to any of the above-mentioned funds, then such defaut shall be made good out of the moneys by the transfer of moneys from said Surplus Fund. If any such default shall exist as to more than one fund at any one time, then such transfer shall be made in the order in which such funds are listed above.

No disbursements shall be made from any Receiving Fund except to the special funds as above provided.

Section 24. The Township hereby covenants and agrees that so long as any of the bonds herein proposed to be issued, that it will punctually perform all duties with reference to the system and said bonds required by the constitution and laws of the State of Michigan and by this ordinance; that it will collect all rates and charges provided for in substantial accordance with the maps, plans and specifications hereinbefore referred to, and will have the same in operation not later than October 1, 1963; that it will not sell, lease, mortgage or in any manner dispose of the system or any substantial part thereof, so long as any of said bonds shall be outstanding; that it will not permit any person, firm or corporation to contract with it for the furnishing of water to premises within Water Supply District "A". Said Township further covenants and agrees that so long as any of said bonds that it will maintain said system in good condition and operate the same in an efficient manner and at a reasonable cost; that so long as any of said bonds are outstanding; that it will maintain insurance on the system for the benefit of the holders of said bonds in an amount which usually would be carried by private companies engaged in a similar type of business: Provided, that if the Government purchases any of said bonds, then so long as the Government shall hold any of the bonds, the Township shall maintain such insurance on the system as may be required by the terms of the Loan Agreement by and between the Township and the Government relating to the bonds; that it will prepare, keep and file such records, statements and accounts as may be required by Act No. 94, Michigan Public Acts of 1933, as now or hereafter amended, and the same shall be open to inspection by the bondholders and their agents and representatives; that it will promptly file with the Township Clerk of said bonds, a copy of each annual statement which it is required to file with the Municipal Finance Commission, and will also file with such purchasers a copy of the Annual Audit of the system certified to by a Certified Public Accountant, which shall be made after the close of each fiscal year; and that it will furnish a copy of the foregoing statement and audit to any bondholder upon payment of the actual cost of such copy. Any such audit shall be in such reasonable detail as will present the full financial condition of the system. The officers of bonds and shall include auditor's comments on the manner in which the system's management has complied with the provisions of this ordinance in respect to the several funds of the system. The Township further covenants that each of the officers of said Township with control of system funds during acquisition, construction, development and operation of the system shall be covered by fidelity bonds with a company or companies authorized to do business in the State of Michigan, said fidelity bonds to be in amounts at least equal to the maximum of funds in the control of each such official or employee at any one time.

Section 25. While any of the bonds herein authorized to be issued shall be outstanding, no additional bonds payable from the revenues of the system shall be issued which shall have a prior or equal standing therewith except as hereinafter provided. The Township shall have the right to issue additional bonds of equal standing in a sum not to exceed One Million Six Hundred Dollars ($100,000) for the completion of the project herein described in event the bonds herein authorized shall prove to be insufficient therefor. The Township shall also have the right to issue additional bonds payable from the net revenues of the system for the purpose of improving, enlarging and/or extending the system, which bonds when issued shall have equal standing with the bonds herein authorized: Provided that no such additional bonds of equal standing shall be issued unless (a) the average actual or augmented net revenues for any two fiscal years preceding fiscal years or the actual or augmented net revenues for the last preceding fiscal year, whichever shall be the lower, plus (b) 50% of the lowest estimated additional net revenues to be derived in any fiscal year after the completion date of the improvements as fixed in the ordinance authorizing the issuance of such additional bonds, from the improvements, enlargements and extensions to be financed by such additional bonds, shall be equal to at least 135% of the largest amount of principal and interest thereafter maturing in any fiscal year on the bonds then outstanding payable from the revenues of the system and on such additional bonds then being issued, and provided further, that no such bonds of equal standing shall be issued unless it is certified that the assured supply of potable water to the system will be sufficient to meet the needs of the system as it then exists plus the additional needs, if any, required by the contemplated improvements, enlargements or extensions, from the date of such certification until the final stated maturity of the proposed additional bonds. Such additional bonds shall be estimated and such certification as to potable water supply shall be made by a Registered Professional Engineer who shall be selected by the Township Board but who shall not be a regular officer or employee of the Township. The selection of such engineer shall be subject to approval by the Municipal Finance Commission. The actual net revenues (certified as such by an independent public accountant) shall be used in making the determination as to the net revenues for the preceding two fiscal years unless the Township shall raise the water rates at the time of authorizing such additional bonds, in which case the net revenues of the system for each of the last two years shall be adjus